

Effective September 1, 2015.

**AUTHORITY OF CERTAIN DOMESTIC LIFE, HEALTH, AND
ACCIDENT INSURANCE COMPANIES TO MAKE
INVESTMENTS IN MEZZANINE REAL ESTATE LOANS**

CHAPTER 310

S.B. No. 1008

AN ACT

relating to the authority of certain domestic life, health, and accident insurance companies to make investments in mezzanine real estate loans.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Subchapter C, Chapter 425, Insurance Code, is amended by adding Section 425.1185 to read as follows:

Sec. 425.1185. AUTHORIZED INVESTMENTS: MEZZANINE REAL ESTATE LOANS. (a) In this section, "mezzanine real estate loan" means a loan that is secured by a pledge of direct or indirect equity interests in an entity that owns real estate.

(b) Subject to Subsections (c) and (d), an insurance company with more than \$10 billion in admitted assets may invest in a mezzanine real estate loan if the loan documents:

(1) require that each pledgor abstain from granting an additional security interest in the equity interest pledged;

(2) employ techniques to minimize the likelihood or impact of a bankruptcy filing by the real estate owner or the mezzanine real estate loan borrower; and

(3) require the real estate owner or the mezzanine real estate loan borrower to:

(A) hold no assets other than, in the case of the owner, the real estate, and in the case of the borrower, the equity interests in the entity;

(B) not engage in any business other than, in the case of the owner, the ownership and operation of the real estate, and in the case of the borrower, holding an ownership interest in the owner; and

(C) not incur additional debt, other than limited trade payables, a first mortgage loan, or the mezzanine real estate loan.

(c) Before making an initial investment in a mezzanine real estate loan, an insurance company shall corroborate that the sum of the first mortgage on the real estate and the mezzanine real estate loan does not exceed 100 percent of the value of the current appraised value of the real estate.

(d) An insurance company's cumulative investment under this section may not exceed three percent of the insurance company's admitted assets.

SECTION 2. Section 425.1185, Insurance Code, as added by this Act, applies only to an investment made on or after the effective date of this Act. An investment made before the effective date of this Act is governed by the law as it existed immediately before that date, and that law is continued in effect for that purpose.

SECTION 3. This Act takes effect September 1, 2015.

Passed the Senate on April 30, 2015: Yeas 31, Nays 0; passed the House on May 19, 2015: Yeas 146, Nays 0, two present not voting.

Approved June 1, 2015.

Effective September 1, 2015.